

June 9, 2008

Mary L. Cottrell, Secretary
Department of Public Utilities
One South Station, Second Floor
Boston, MA 02110

Re: **Request for a Technical Session on the Avoided Energy Supply Costs in New England: 2007 Final Report**

Ms. Cottrell,

The Attorney General requests that the Department of Public Utilities hold a technical session to allow for inquiries into the Avoided Energy Supply Costs in New England: 2007 Final Report (“Report”) and any other related topics that the Department deems appropriate. To ensure a meaningful opportunity to inquire into the Report, the Attorney General requests that at least one technical expert involved in developing the Report be made available during the technical session. The expert should present and discuss the calculations, methodologies and assumptions used in the avoided cost determinations and answer questions with regard to the study. Further the Attorney General requests that the technical session be transcribed to facilitate development of a record, and that it take place as soon as practicable to prevent delay in the review of the 2008 electric energy efficiency plans. Finally, the Division of Energy Resources has expressed its support for a technical session to review the Report.

Utilities have filed energy efficiency plans with the Department that relies on the technical information provided in the Report.¹ In fact, the two electric companies that have filed their plans have included the Report in the Appendices of their plans, NSTAR Electric Company and Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid. The current review process, however, does not allow for adequate inquiry into the Report and does not require that proponents provide testimony and support their spending plans in an evidentiary proceeding.

¹ In an open docket, National Grid has relied on the Report when it filed corrections to its original benefit cost calculations. *See KeySpan Energy Delivery New England*, D.P.U. 07-104 (Company’s revised responses to DPU-2-1). In her comments filed in this docket on February 15, 2008, the Attorney General has requested that the Department open the investigation of the proposed five-year energy efficiency plan. The technical session requested here would also serve to expedite the requested investigation in D.P.U. 07-104 in the event that the Department accepts the revised benefit cost ratios.

A general technical session would aid in the expeditious the review of the 2008 and 2009 energy efficiency budgets and plans. The 2008 plans contain budget proposals for energy efficiency program expenditures in 2008 that are funded by ratepayers. Only those energy efficiency programs that have a benefit cost ratio of one or greater get approved by the Department to receive ratepayer funding. *See Investigation into Establishment of Methods and Procedures to Evaluate and Approve Energy Efficiency Programs*, D.T.E. 98-100, Section 3 (Feb. 2000) (establishing criteria for program cost-effectiveness). The benefit cost ratio calculations provided in the 2008 energy efficiency plans are based on avoided cost calculations provided in the Report. Therefore, the Report should be reviewed before the Department approves the budgets in the 2008 plans given that it serves as a basis for the 2008 plans.

Although an avoided cost study concept has been used in evaluating energy efficiency programs for a number of years and several prior Avoided Cost Reports have been filed with the Department in two-year cycles, interested parties have not yet had the opportunity to inquire into the 2007 Report. It incorporates relatively new concepts, *e.g.* Demand Reduction Induced Price Effect (DRIPE) and important changes in energy market operations. The Report is also lengthy and includes very technical analyses, calculations and assumptions. Explanation by the Report's authors about the processes and assumptions contained in the Report would serve to enlighten all parties and maintain transparency. The need for interested parties to have an opportunity to understand how new concepts and other aspects of the Study may be translated into avoided costs is compounded by the potential that the Avoided costs determined in this Report will be used to analyze potential significant increases in spending on energy efficiency. The potential for significant expansion of ratepayer funded energy efficiency requires that the Department approve only those programs that produce the highest level of benefits to customers funding the programs.

The Attorney General respectfully requests that the Department grants her request for a technical session. The Attorney General deems this request reasonable, given that the Department held an informal technical session to discuss all aspects of the 2006 electric energy efficiency plans in February of 2006.²

Thank you for your consideration.

Sincerely,

Jamie M. Tosches, Assistant Attorney General
Energy and Telecommunications Division

cc: Paul J. Hibbard, Chairman, Department of Public Utilities
W. Robert Keating, Commissioner, Department of Public Utilities

² During the February 2006 technical session, Department Staff raised a number of issues regarding a proposed DRIPE calculation used in the cost/benefit analysis of the 2006 Plans, which came out of the predecessor of the Report.

Tim Woolf, Commissioner, Department of Public Utilities
Philip Guidice, Commissioner, Division of Energy Resources
Barry Perlmutter, Director, Electric Division, Department of Public Utilities
George Yiankos, Director, Gas Division, Department of Public Utilities
Sheila Grace, Hearing Officer, Department of Public Utilities
Benjamin Spruill, Hearing Officer, Department of Public Utilities
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James M. Avery, Lead Counsel, Brown Rudnick Berlack Israels LLP
Gary Epler, Chief Regulatory Counsel, Fitchburg Gas and Electric Light Company
Andrew Newman, Lead Counsel, Blackstone Gas Company
John K. Habib, Esq., Keegan Werlin, LLP
Jody M. Stiefel, Manager Regulatory Affairs, New England Gas Company
Service Lists: KeySpan Energy Efficiency New England, D.P.U. 07-104; NSTAR
Electric Company, D.P.U. 08-10, Massachusetts Electric Company and Nantucket
Electric Company, d/b/a National Grid, D.P.U. 08-8.